Reserve Bank of India (RBI) have issued detailed guidelines to all public sector banks on write off of bad debts/losses and compromise with debtors/borrowers. These guidelines identify the issues to be taken into consideration before any amount is written off by the authorities. These guidelines stipulate *inter-alia* that the authority which had sanctioned the advance in question should not write off the name. The guidelines also provide that all possible steps should be taken for recovery of the dues before deciding on write off/compromise.

Exit Policy

2588. DR. SANJAY SINH: Will the Minister of FINANCE be pleased to state:

(a) whether an expert group set up by the Finance Ministry has strongly recommended an Exit Policy to deal with the problem of Industrial sickness; and

(b) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED): (a) and (b) The Government set up in May, 1993 a Committee on Industrial Scikness and Corporate Restructuring under the chairmanship of Dr. Omkar Goswami of Indian Statistical Institute Delhi, to examine varibus aspects of industral, sickness. The Committee submitted its report in July, 1993. The main findings of the Committee are given in the enclosed statement.

Statement

Summary of the report of the Committee on Industrial Sickness and Corporate Restructuring.

The definition of sickness in Sick Industrial Companies Act (SICA) are serious barriers to reorganising the un-healthy Industrial Companies because these primarily identify as terminally sick firms. We will not proceed very far in industrial restructuring unless we radically alter the form, content, and scope of SICA.

2. Board for Industrial and Financial Reconstruction (BIFR) process is very time consuming. The only operationally significant basis for BIFR should be that of being a fasttrack facilitator and, occasionally, an arbitrator. In this context, as purely short term measures, BIFR and the Government should implement some organisational changes.

3. A Sick Company's own reference to BIFR should be voluntary, not mandatory. Making the company's own reference voluntary, will reduce the number of cases that get registered with BIFR and, hence, lessen the administrative burden.

4. There is an urgent need for a criterion that allows or early detection. The new SICA should eliminate the negative net worth criterion altogether. In its place, the focus should be on incipient sickness.

5. The Government should integrate the financial and industrial sector by using the definition suggested by the Narasimham Committee Report. The definition of sickness should change to (i) defanlt of 180 days or more on repayment to term-lending institutions or (ii) irregularities in cash credit or working capital for 180 days or more.

6. There is a strong case for having SICA override Foreign exchange Regulation Act (FERA).

7. There should be five Recovery Tribunals only for recovering corporate debts to secured creditors.

8. The RBI's guidelines for rehabilitation must be altered to abjure the notion of sacrifices, and instead address the basic issues in appraisal. No write off on new loans. However, whenever write offs are taken, these should be in the form of debt equity coversions; the financial institution should adjust the write off against some equity of the sick company.

9. The Central Board of Direct Taxes (CBDT) should remove all tax hurdles that prevent banks and financial institutions (custodians of public funds) from converting debt to equity of sick companies, particularly when this is recommended by the BIFR.

10. Given the importance of mergers, the CBDT must play a more facilitating and positive role. To aid merges and financial restructuring of sick companies, an additional amendment should be tagged on to the proposed companies Bill: notwithstanding sections 110-PCB, through 112-PCB, companies should be allowed to issue share carrying varying rights to voting and dividend, up to a maximum of 25 per cent of their total paid up share capital.

11. Reforming the Irregular Statements (IS) routinely prepared by commercial banks is a practical way of addressing the issue of early detection. In devising a Revised Irregular Statement (RIS), the existing classification in the first two categories of the presently used Health Code System, HCS, may be replaced by four categories; (a) Satisfactory (b) Irregular (c) Suspect (d) Managerial Input Required.

12. The Companies Act should bs amended so that secured creditors can implement de facto changes in management and/or the Board of Directors in instances of repeated debt defaults.

13. Land sale is the most profitable and economically meaningful way of generating internal resources. However, Urban Land (Celing and Regulations) Act (ULCRA), and local municipal and state-level deterrents and major hurdles. The Central Government should take the lead by asking the Union Territories to amend ULCRA, particularly for BIFR scheme.

14. There is a major barrier to restructuring the work force, which is entirely due to pevailing practices among State governments, particularly the use of sections 25(N) and 25(0) of the Industrial Disputes Act. The Government must try to amend IDA such that there is no need for applying to the appropriate government.

15. The best way of protecting the workers' interest in a firm that is being wound up is to realise the highest possible sale value. To truly reduce the problem of delays in winding up, there must be five fast track Winding-up Tribunals, situated in Bombay, Calcutta, Madras, Delhi and Bangalore.

Smuggling of foodgrains to Myanmar and Bangladesh

2589. DR. SANJAY SINGH: Will the Minister of FINANCE be pleased to state:

(a) whether the "Centre" recently assured assistance to the North-Eastern States to effectively check the smuggling of foodgrains out to Myanmar and Bangladesh; and

(b) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) and (b) A multipronged strategy to prevent smuggling of foodgrains from India to Myanmar and Bangladesh has been worked out. The strategy includes stepping up vigilance by Customs and BSF authorities in a fully integrated manner and invoking the provisions of